

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



**FISCAL NOTE**

**SB 398 - HB 478**

March 18, 2023

**SUMMARY OF BILL:** Requires the Department of Human Services (DHS) to develop, implement, and manage a program to provide monthly stipends to eligible state employees for the cost of child care services. Specifies that priority will be given to employees who have children who are not yet eligible for Pre-K, who have children with special needs, who have multiple children, and who do not receive other child care subsidies. Prohibits high-wage earning employees from being eligible.

**FISCAL IMPACT:**

**Increase State Expenditures – \$22,628,000/FY23-24 and Subsequent Years**

Assumptions:

- For purposes of this analysis, a high wage earner is someone who earns more than 85 percent of the state median income (SMI), which for a family of three is \$60,576.
- The proposed stipend amount will depend on what individuals earn with regard to the SMI percentile and are based on current Smart Steps reimbursement rates:
  - For those earning between 60% - 85% SMI, the stipend will be \$9,281 annually per child.
  - For those earning between 40% - 59% SMI, the stipend will be \$9,490 annually per child.
  - For those earning below 40% SMI, the stipend will be \$10,324 per child annually.
- According to information provided by DHS, there are currently 487,037 children in Tennessee under the age of six with at least one working parent.
- For purposes of this analysis, it is assumed that the number of children in this age group remains constant.
- This legislation requires children not yet eligible for Pre-K be prioritized and further requires parents who do not currently receive other child care subsidies be prioritized.
- DHS currently runs the Smart Steps Child Care Payment Assistance Program (Smart Steps), which provides a subsidy to parents who are not high wage earners, have a child six weeks to five years of age, and who work for more than 30 hours a week.
- Therefore, it is assumed that 50 percent of the households eligible for the proposed program will already be enrolled in the Smart Steps program or will be eligible for and enroll in a Pre-K or kindergarten program.

- There are currently 2,639,000 households in Tennessee. Therefore, it is assumed that approximately 9 percent  $[(487,037 / 2,639,000) \times 50\%]$  of households have a child under six eligible for this subsidy not otherwise receiving a subsidy.
- There are currently 17,377 state employees who earn 60% - 85% SMI. Assuming 9% of those employees have a child under the age of six, the total reimbursement rate for this SMI group would be \$14,514,834  $(17,377 \times 9\% \times \$9,281)$ .
- There are currently 7,134 state employees who earn 40% - 59% SMI. Assuming 18% of those employees have a child under the age of six, the total reimbursement rate for this SMI group would be \$6,093,149  $(7,134 \times 9\% \times \$9,490)$ .
- There are currently 2,174 state employees who earn below 40% SMI. Assuming 18% of those employees have a child under the age of six, the total reimbursement rate for this SMI group would be \$2,019,994  $(2,174 \times 9\% \times \$10,324)$ .
- Therefore, the total increase in state expenditures necessary to cover the stipend would be \$22,627,977  $(\$14,514,834 + \$6,093,149 + \$2,019,994)$  in FY23-24 and subsequent years.
- It is assumed that children aged six and older will be enrolled in kindergarten or above, and will therefore not require the child care subsidy.
- DHS will be able to develop, implement, and manage the program utilizing existing staff, without a significant increase in state expenditures associated with personnel.

## **CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.



Krista Lee Carsner, Executive Director

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